



Missouri Department of Natural Resources Energy Center

MISSOURI ENERGY BULLETIN

August 24, 2006

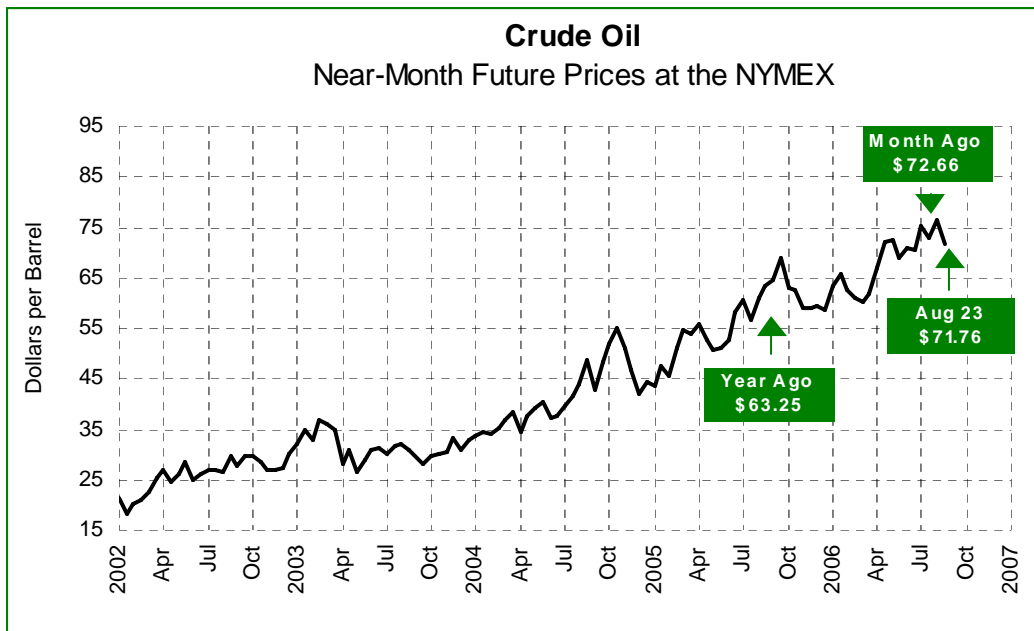
Crude Oil

On August 23, crude oil futures for October delivery on the NYMEX settled at \$71.76 per barrel in response to lower gasoline demand and rising U.S. gasoline supplies

Crude Oil - Near Month Future Prices (dollars per barrel)

	<u>08-23-06</u>	<u>07-19-06</u>	<u>change</u>	<u>08-17-05</u>	<u>change</u>
NYMEX	\$71.76	\$72.66	down 1%	\$63.25	up 13%

- Crude oil prices settled \$1.34 lower from the previous day at \$71.76 per barrel on Wednesday, August 23 following the U.S. Department's weekly storage report noting an unexpected rise in U.S. gasoline supplies and a decline in motor gasoline demand. British Petroleum (BP) continues to produce about 220,000 barrels per day from the Alaskan Prudhoe Bay oil field after the discovery of corrosion along a pipeline on August 7, helping to pressure prices lower. Prudhoe is the largest domestic oil field in the U.S. with a production rate of 400,000 barrels per day, 8 percent of total U.S. production.
- U.S. demand for motor gasoline was expected to fall following an August 10 thwarted terrorist plot against aircraft bound to the U.S. from England. Falling consumer demand, an increase in gasoline output by U.S. refineries and a shift by one of the nation's largest investment firms on August 10, Goldman Sachs, in their huge commodities fund from gasoline to crude oil and heating oil futures where there are no supply concerns, are contributing to significantly lower gasoline values.



- U.S. refineries were operating near normal service at 93 percent capacity with additional gasoline production reported by the industry. Additional production required higher refinery inputs that edged higher for the week to over 15.7 million barrels of crude oil per day, just slightly higher when compared to the same period last year.
- Crude prices are about 21 percent higher since the beginning of the year due, in part, to on-going tensions with Iran's uranium enrichment program and potential for UN sanctions by month's end; tensions between Israel and Hezbollah that still threatens the Middle East oil production basin; and the partial loss of crude oil production by Nigeria.
- U.S. crude oil supplies decreased 0.6 million barrels to 330.4 million barrels for the week ending August 18, according to the U.S. Department of Energy (DOE). U.S. crude production fell slightly for the week to approximately 5 million barrels per day, but down from 5.4 million barrels at this time last year. Crude imports increased slightly last week to 10.2 million barrels per day. At this time last year, crude imports were 10.6 million barrels per day.

Transportation Fuels

On August 21, Missouri's average retail price for regular unleaded gasoline was \$2.96 per gallon, a decrease of \$0.20 or 7 percent within the last two weeks.

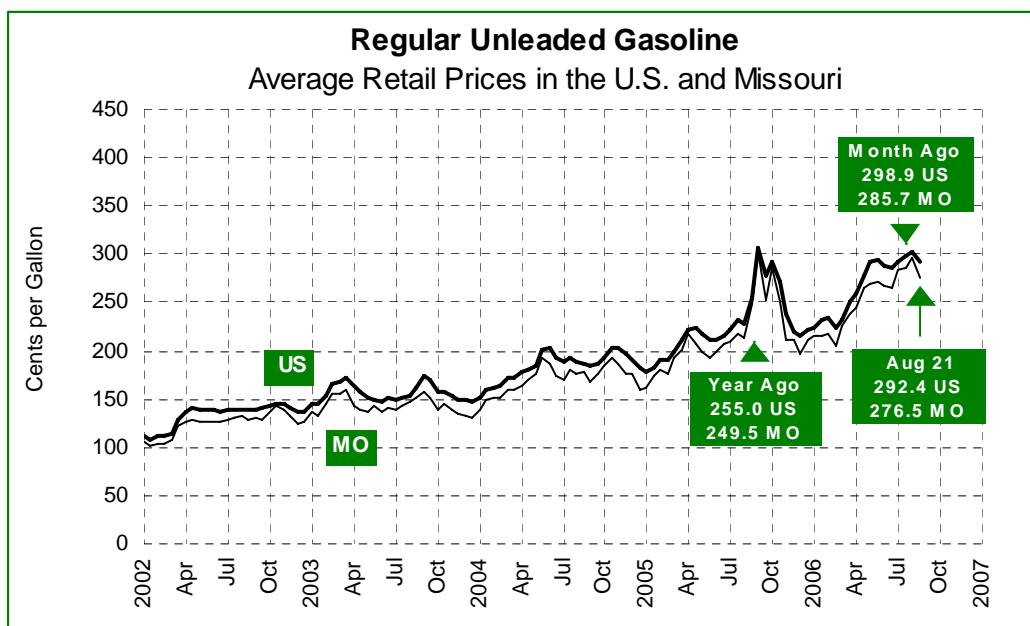
<i>Regular Unleaded Gasoline - Retail Prices (cents per gallon)</i>					
	<u>08-21-06</u>	<u>07-17-06</u>	<u>change</u>	<u>08-15-05</u>	<u>change</u>
US	292.4	298.9	down 2%	255.0	up 15%
Missouri	276.5	285.7	down 3%	249.5	up 11%

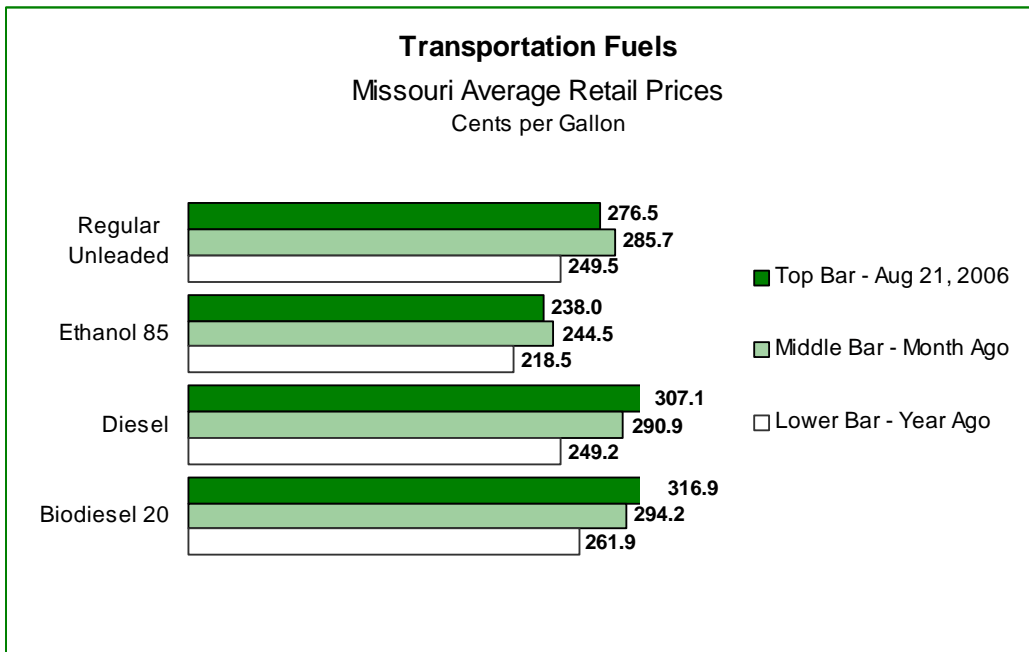
<i>Diesel Fuel - Retail Prices (cents per gallon)</i>					
	<u>08-21-06</u>	<u>07-17-06</u>	<u>change</u>	<u>08-15-05</u>	<u>change</u>
US	303.3	292.6	up 4%	256.7	up 18%
Missouri	307.1	290.9	up 6%	249.2	up 23%

- On August 21, Missouri's statewide average gasoline retail price was down 9 cents while diesel retail

prices increased 16 cents from last month. Missouri gasoline and diesel prices are 11 and 23 percent higher than last August, respectively. Missouri's average gasoline price is 16 cents lower than the U.S. average at \$2.92 per gallon. On August 8, DOE projected Summer 2006 (April 1 to September 30) regular gasoline pump prices to average \$2.92 per gallon, 55 cents higher than last year's average of \$2.37 per gallon.

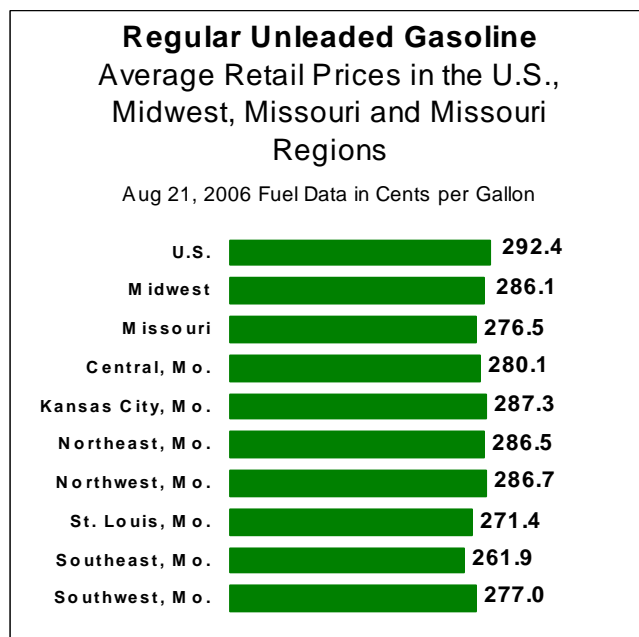
- Wholesale gasoline prices in Missouri are also declining with bulk terminal average rack prices below \$2 per gallon, a price level not seen since late March 2006.
- Missouri's diesel fuel prices are about 4 cents higher than the national average. Missouri's supply of diesel fuel, although considered adequate for this time of year, lags behind last year's storage figures due to the move to ultra-low-sulfur diesel (ULSD) for highway use in terminals by September 1 and retail facilities by October 15. The transition to ULSD requires terminals to reduce higher sulfur diesel fuel from their tanks to allow the new ULSD to be stored by September 1. Lower supplies and the seasonal increase in diesel demand for crop harvests are supporting higher diesel prices.





Motor Gasoline - Total Stocks (millions of barrels)					
	08-18-06	07-14-06	change	08-19-05	change
US	205.8	214.2	down 4%	194.9	up 6%

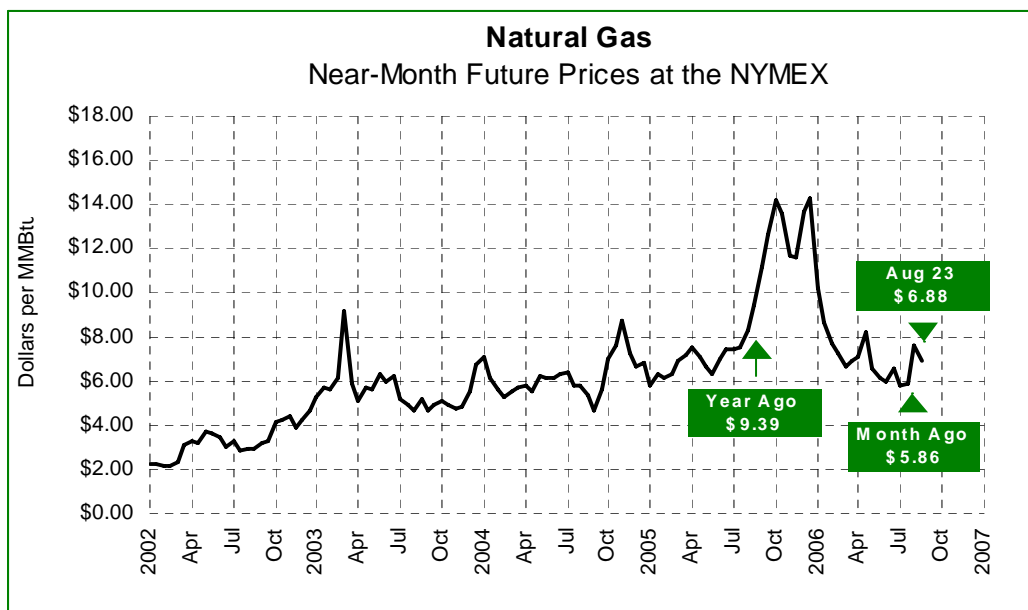
- U.S. gasoline supplies improved 0.4 million barrels from a week ago to 205.8 million barrels and are 10.9 million barrels higher than last year's level at this time, trending well within the five-year average.
- Although implied demand for gasoline on a four-week average increased to 9.6 million barrels, the weekly average number remained relatively flat at just over 9.5 million barrels per day. Gasoline demand is approximately 1.7 percent higher compared to the same period last year in spite of higher retail gasoline prices.



Natural Gas

On August 23, natural gas futures closed at \$6.88 per MMBtu, down 77 cents or 10 percent in the last two weeks and \$2.51 or 27 percent lower than last year at this time.

Natural Gas - Near Month Future Prices (dollars per mmbtu)					
NYMEX	08-23-06	07-19-06	change	08-17-05	change
	\$6.88	\$5.86	up 17%	\$9.39	down 27%



- The NYMEX futures contract for September delivery settled at \$6.88 per MMBtu on Wednesday, August 23, down 77 cents in the last two weeks, but still \$1.02 or about 17 percent higher from the settlement price of \$5.86 last month on July 19. This price, however, is \$2.51 or 27 percent lower than the settlement price a year ago at this time.
- The October 2006 futures contract increased \$0.067 per MMBtu, or less than 1 percent, to settle at \$7.006 per MMBtu. The NYMEX contract for February 2007 closed at \$11.291 per MMBtu, which was the highest priced contract in the 12-month strip. Contracts for the next heating season (November 2006 through March 2007) increased by an average of 15 cents per MMBtu to settle at an average of \$10.635.
- Working gas in storage as of August 18 totaled 2,857 Bcf, which is 13.5 percent above the 5-year average inventory level for the week according to EIA's *Weekly Natural Gas Storage Report*. Supplies were 291 Bcf higher than last year at this time and 339 Bcf above the 5-year average of 2,518 Bcf.

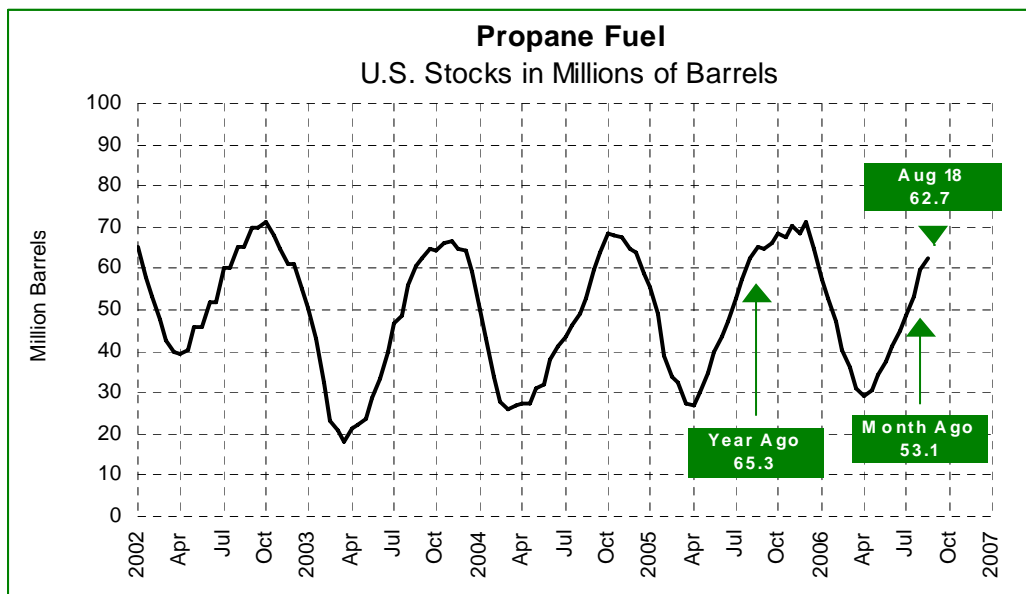
Propane

(Please note that Missouri summer propane prices are updated monthly from April – September)

On August 7, Missouri's average residential price for propane was nearly \$1.63 per gallon, an increase of 2 cents from a month ago and 22 cents from this time last year.

Propane - Residential Prices (cents per gallon)

	<u>08-07-06</u>	<u>07-03-06</u>	<u>change</u>	<u>08-01-05</u>	<u>change</u>
Missouri	162.8	160.8	up 1%	140.4	up 16%



- According to the Missouri Energy Center's monthly summer propane survey, the average retail price for residential propane was \$1.63 per gallon on August 7 compared to \$1.61 per gallon on July 3. The current price is 22.4 cents or 16 percent higher than at this time last year.
- About 0.6 million barrels of propane were added to the nation's inventory and now stands at 67.2 million barrels as of August 18. Current U.S. propane supplies are 2.8 million barrels lower than at this time last year. Midwest inventories improved by 0.7 million barrels to nearly 25.1 million barrels last week compared to 22.6 million barrels at this time last year.

The Missouri Energy Bulletin is distributed twice a month by the Missouri Department of Natural Resources, Energy Center. The Energy Center collects transportation and propane heating fuel prices from several retail providers located throughout the state. To preserve confidentiality, price data are averaged and reported by region. The Bulletin is a public resource made available to state government decision-makers, other interested individuals upon request and on-line at the Energy Center Internet address. The department thanks each of the following in helping to provide accurate, timely data on fuel supplies and prices: the U.S. Department of Energy's Energy Information Administration; the National Association of State Energy Officials; the St. Louis AAA Auto Club; regional state energy offices; and Missouri's energy retailers. For more information, contact: MO Dept. of Natural Resources, Energy Center, P.O. Box 176, Jefferson City, MO 65102-0176; Phone: (573) 751-3443 or (800) 361-4827; Fax: (573) 751-6860; E-mail: energy@dnr.mo.gov; Web Address: www.dnr.mo.gov/energy/transportation/fb.htm